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NATIONAL UNCERTAINTY COULD AFFECT PENNSYLVANIA

Although there were a few encouraging signs in the Commonwealth's economy during September, **uncertainty over the future health of the U.S. economy as reflected in the recent volatility on Wall Street, could become a factor in the State in future months.** In fact, it may be argued, probably correctly, that Pennsylvania will follow national trends over coming months quite closely. In all likelihood, this will result in some slowing in growth as the national economy tries to weave its way around many roadblocks.

Job levels in Pennsylvania held steady or rose slighty in most industries during September. **Perhaps the best news came in manufacturing where job levels rose by a seasonally adjusted 3,000 to 1.04 million as both durable and nondurable goods industries added workers.** It does appear that the bulk of our manufacturing job losses are behind us in the Commonwealth. Although the number of jobs in these establishments has declined by 1.6 percent so far this year, this compares quite favorably with the 3.7 percent decline in 1986 and the 2.9 percent reduction in the number of positions in 1985.

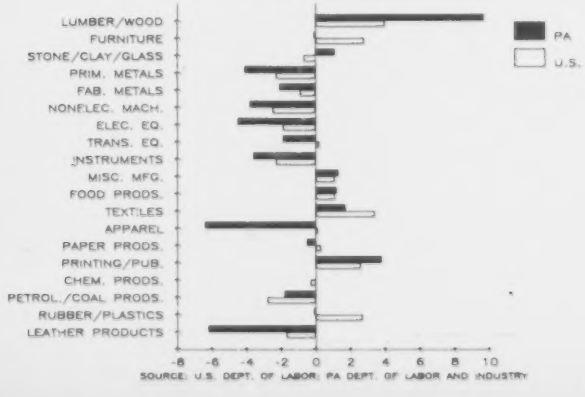
On the negative side, **while Pennsylvania has lost jobs so far this year, the U.S. as a whole has turned the corner and is adding workers in manufacturing industries.** This trend is reflected in the accompanying chart which shows that in most industries within manufacturing, Pennsylvania is being outperformed by the nation. Of special importance is the fact that in our "traditional" industries in durable goods manufacturing such as steel and machinery, job losses in Pennsylvania have been more severe than in the U.S. so far this year. Furthermore, other indicators of manufacturing's health such as the average factory workweek, total hours worked, total payrolls, and electricity sales to industry each declined slightly. Steel production, on the other hand, rose again, just as it has been doing since the end of the USX labor dispute.

As shown in the accompanying chart, there is a good deal of variation across manufacturing industries with respect to the average workweek. Specifically, the workweek for nondurable goods industries appears to be much more volatile than that for durable goods. Indeed, while we can find the manufacturing industry with the longest workweek in the nondurable goods grouping, paper products, we can also find the shortest workweek in the apparel industry.

On the nonmanufacturing side, a strong performance by State and local government helped push overall job levels up by a seasonally adjusted 3,000 to 3.9 million. Normally, the number of jobs in State and local government increases by about 8,300 during September as the school-year approaches. This year, the gain was 13,500. However, that relatively large gain is likely to be corrected in the near future. Retail trade also turned in another encouraging performance as 3,000 jobs were added after adjusting for normal seasonal variations, pushing job totals up to another record high.

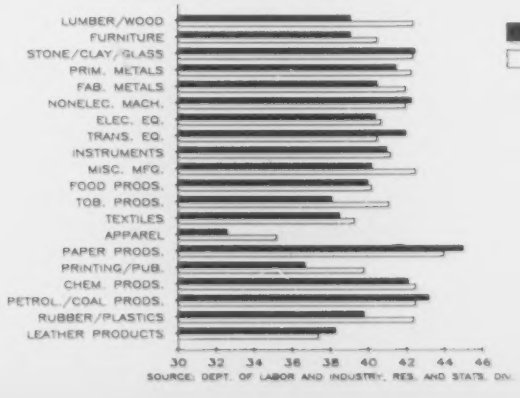
On the construction front, the number of jobs held steady following six consecutive months of gains. With respect to construction contracts awarded so far this year, the value of

1987 YTD PA AND U.S. MFG. JOB GROWTH
(percent change from year ago)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY

PA AVERAGE WORKWEEKS IN MFG. INDUSTRIES
(hours per week)

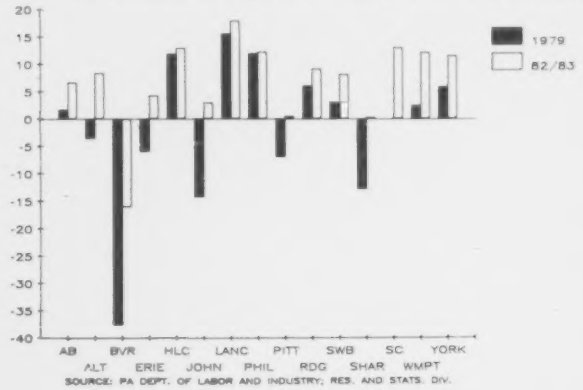


SOURCE: DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

residential awards has grown 4.1 percent, the gain has been 35.8 percent on the nonresidential side, and a 1.2 percent gain has been recorded with respect to nonbuilding projects. Except for the nonresidential sector, these gains fall well short of those which occurred during the first nine months of last year. As an aside, the "Housing Permits Report" section of the *Survey* suggests that **residential construction activity may be slowing somewhat.**

With respect to nonagricultural job growth in Pennsylvania metropolitan areas, some interesting trends are evident when comparing job levels maintained so far this year to 1979, the most recent peak in the business cycle, and 1982/1983, the most recent trough. Specifically, six of the 15 metro areas have yet to reach 1979 job levels. Each is located in the western portion of the Commonwealth. **While only one area, Beaver County, has lost jobs over the recovery period**

NONAGRICULTURAL JOB GROWTH IN PA METRO AREAS
(1987 YTD percent change from 1979 and 1982/1983)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; RES. AND STATS. DIV.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	August	September	September	August	September	September	August	August	August
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,945*	4,968	4,847	4,931*	4,937	4,812	108.0	108.1	105.4
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,901*	3,918	3,792	3,894*	3,897	3,771	120.8	120.9	117.0
Mining	32*	32	34	30	31	32	63.3*	63.7	67.1
Contract construction	247*	245	225	228*	228	208	124.0*	124.0	113.2
Transportation	133*	140	141	138	138	138	85.5*	85.8	85.9
Public Utilities	106*	105	102	106	105	102	104.9*	104.7	100.9
Wholesale trade	275	274	262	274	274	261	123.6*	123.6	117.8
Retail trade	875*	879	845	872*	875	840	121.6*	122.0	117.2
Finance, insurance & real estate	292*	289	282	288*	287	280	132.5*	132.1	128.9
Service & miscellaneous	1,282*	1,286	1,236	1,280*	1,279	1,229	148.4	148.3	142.5
Federal government	143	141	137	143*	142	138	111.2*	110.5	107.8
State & local government	513*	527	529	535	540	543	91.8	92.7	93.2
Manufacturing									
No. of wage and salary jobs (thous.)	1,042	1,046	1,047	1,037*	1,040	1,040	77.3*	77.5	77.5
Durable goods	591	594	591	589	591	589	72.8	73.0	72.7
Nondurable goods	452*	453	455	448*	449	451	84.1*	84.3	84.8
Ave. wkly. hrs. worked by prod. workers	41.1*	40.8	40.6	41.3*	40.7	40.5	104.4*	102.9	102.5
Total wkly. person-hours worked (mils.)	29.1*	29.1	28.8	29.0	28.8	28.5	75.6*	75.1	74.1
Total wkly. payroll (mil. dols.)	290.0*	292.9	281.2	291.2*	290.3	278.6	129.6*	129.2	124.0
Steel production (thous. tons)	1,051	1,047	549	n.a.	n.a.	n.a.	55.3	57.2	29.9
Industrial electric power sales (mil. kwh)	3,827	3,762	3,515	3,770	3,732	3,469	102.1	101.1	93.9
Mining									
Anthracite coal (thous. net tons)	281	281	333	247	261	313	50.6	53.4	64.0
Bituminous coal (thous. net tons)	4,271	5,668	5,053	4,020	5,145	4,597	57.0	72.9	65.2
Construction contracts awarded (mil. dols.)									
Total	917.1	831.0	636.2*	897.1	801.0	635.8*	278.8	249.0	197.6*
Residential building	359.7	342.8	326.6*	309.8	339.8	320.5*	220.2	241.4	227.7*
Nonresidential building	372.2	312.3	189.4*	367.6	268.9	172.9*	338.8	247.9	159.4*
Nonbuilding (utilities and public works)	185.1	176.0	120.2*	219.7	192.3	142.4*	303.1	265.3	196.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,526	5,411	5,312	5,386	5,362	5,265	112.1	111.6	109.6
Unemployed									
No. of persons (thous.)	303	297	365	315	316	386	78.5	78.9	96.2
Rate (percentage of labor force)	5.2	5.2	6.4						
Rate, seasonally adjusted				5.5	5.6	6.8			
Civilian labor force, no. of persons (thous.)	5,829	5,708	5,677	5,701	5,678	5,651	109.5	109.1	108.5
Initial claims for unemployment benefits	63,113	61,714	90,001	80,122	78,832	112,576	56.0	55.1	78.6

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986	Month Ago	Year Ago
	August	September	September		
U.S. city average	342.7	344.4	330.2	+0.5	+4.3
Philadelphia	342.2	342.8	325.8	+0.2	+5.2
Pittsburgh	341.7	n.a.	330.1†	n.a.	+3.5

[1] Total includes workers on strike. * = figure revised † = figure for August 1986 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1986-1987 (Jan.-Sept. period) labor force, employment, and unemployment growth for the 15 PA metropolitan areas (in thousands; numbers in parenthesis represent pct. changes)

	Labor force	Employment	Unemployment	Unemployment rate (percent) 1986	1987
AB	– 9.2 (–2.9)	1.8 (0.6)	–11.1 (–42.6)	8.1	4.8
ALT	– 1.0 (–1.8)	0.5 (0.9)	– 1.5 (26.1)	9.8	7.4
BVR	– 3.4 (–5.1)	– 1.4 (–2.5)	– 2.0 (–22.6)	13.2	10.8
ERIE	– 2.4 (–1.8)	– 0.7 (–0.6)	– 1.6 (–14.3)	8.9	7.8
HLC	4.1 (1.4)	9.3 (3.2)	– 5.2 (–33.3)	5.2	3.4
JOHN	– 1.9 (–2.0)	1.1 (1.2)	– 3.0 (–27.1)	11.6	8.6
LANC	3.4 (1.6)	5.5 (2.8)	– 2.2 (–27.6)	3.8	2.7
PHIL	18.4 (0.8)	37.1 (1.7)	–18.7 (–14.3)	5.5	4.7
PITT	–10.6 (–1.1)	1.1 (0.1)	–11.7 (–14.6)	8.4	7.3
RDG	– 1.4 (–0.8)	2.8 (1.7)	– 4.2 (–34.4)	7.1	4.7
SWB	– 7.7 (–2.2)	– 1.3 (–0.4)	– 6.4 (–21.2)	8.8	7.1
SHAR	0.0 (0.1)	0.6 (1.3)	– 0.6 (–13.5)	8.6	7.5
SC	0.3 (0.5)	0.9 (1.7)	– 0.6 (–17.8)	6.4	5.2
WMPT	0.4 (0.7)	1.4 (2.8)	– 1.1 (–25.5)	7.5	5.6
YORK	– 1.1 (–0.5)	2.4 (1.2)	– 3.5 (–29.2)	5.7	4.1

Source: PA Dept. of Labor and Industry, Res. and Stats. Div.

dating back to 1982/1983, the big gainers are definitely located in central and eastern Pennsylvania.

While overall nonagricultural job levels rose in September, resident employment dipped slightly. (This apparent discrepancy may be traced to different sampling sizes and coverage groups. Please see the October 1986 *PBS* for a further discussion.) However, **the changes in employment, unemployment, and the labor force were quite minimal. Given the error ranges associated with the data, all indications are that the situation remained unchanged from the previous month.**

As shown in the accompanying table, **except for a few exceptions, the performance of Pennsylvania metro areas with respect to the employment, unemployment, and labor force situation has been far from spectacular so far this year.** Although the number of unemployed has declined in each of the 15 areas, a drop in the labor force has contributed to that fall in nine cases. Additionally, except in three instances, the year-to-date gains in employment have been less than 2 percent. In fact, in three areas, employment has actually declined this year.

The end result of September's overall economic activity was a slight 0.2 percent rise in the index of coincident indicators which is designed to mirror current economic conditions. However, the index of leading indicators which signals future trends in the overall economy, fell 0.5 percent following four consecutive months of gains.

— *William D. Anderson*

Housing Permits Report

Residential construction activity took a breather during the third quarter, at least according to estimates of housing permit authorizations for the Commonwealth. Specifically, the number of permits awarded fell 8.8 percent during the July-September period on an annual basis to 16,299, the first such decline since the first quarter of last year. All of the decline is attributable to a drop in multi-familiy permits. Single-family permit authorizations held steady compared to a year ago at 14,162 for the quarter. Still, for the year as a whole, activity is up. Through 1987's first nine months, total authorizations have increased 7.9 percent from the same period a year ago. However, this does represent a rather significant drop-off in growth from last year's 20 percent gain in the first three quarters of the year. (Comparisons to year ago data are necessary because of the significant seasonal component in housing statistics. As a result, comparisons with the previous quarter may lead to misleading conclusions.) Similar trends are evident with respect to the value of housing permits authorized as growth slowed considerably in the third quarter. On a brighter note, Pennsylvania again fares well relative to the situation at the national level.

Given the uncertainty in the overall economy's health brought on by recent volatility on Wall Street, it is doubtful that construction will pick up in the near future in Pennsylvania or the U.S. Both builders and buyers will move forward with caution in light of concerns about a possible recession on the horizon.

Pennsylvania housing units authorized in permit issuing places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IIIQ	16,299	–8.8	14,162	0
1987:IIQ	17,902	9.2	15,841	10.4
1987 YTD	45,465	7.9	38,934	10.3

Source: U.S. Dept. of Commerce, Bureau of the Census

Value of Pennsylvania housing units authorized in permit issuing places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IIIQ	1,055,200	7.9	976,000	14.4
1987:IIQ	1,157,351	25.0	1,078,088	26.8
1987 YTD	2,883,451	24.5	2,638,917	26.7

Source: U.S. Dept. of Commerce, Bureau of the Census

Around the State

Northeastern Quarter

Allentown-Bethlehem

The economy of the four-county Allentown-Bethlehem region turned in an encouraging third quarter performance after a sluggish first half of 1987. But still, the area's performance over the past several years does not stack up all that well next to many other regions. For instance, nine of the 15 Pennsylvania metro areas have realized stronger gains in nonagricultural jobs since the recovery began in 1982 and 1983. Additionally, seven have turned in stronger performances when measured against 1979, the most recent peak in the business cycle.

After dipping 0.3 percent during the first six months of this year on an annual basis, the region recorded a 2.3 percent employment gain in the July-September period compared to a year ago. However, for the year as a whole, the 0.6 per-

cent gain in employment is the fifth lowest among the State's 15 metro areas. Similarly, despite the inflow of population from the east, the 2.9 percent year-to-date drop in the labor force is the second highest drop in the State. Because of these rather disturbing trends, it is wise not to get too excited about recent declines in the jobless rate. The improvement is simply not the result of a favorable showing on the employment front.

The inflow of residents from the New York/New Jersey region partly accounts for the 22 percent rise in residential construction contracts awarded through the first three quarters of the year on an annual basis. The increase compares quite nicely with the 4.1 percent gain for the State as a whole. Furthermore, the number of permits authorized for residential housing units rose nearly 25 percent on a year-to-date basis through the first half of this year, the latest data available.

Nonmanufacturing continues to carry the load with respect to generating new jobs. For the year, jobs in these establishments are up 4.9 percent. This encouraging performance is at least partly the result of the population inflow and the associated increase in demand for services and the impact on such industries as retail trade and banking. The situation remains worrisome with respect to manufacturing. The current downward trend in jobs began about mid 1984. The number of manufacturing positions fell 3.6 percent in 1985 and 9.3 percent last year. So far in 1987, the decline has amounted to 4.3 percent. Hence, although manufacturing job levels remain at what amounts to an all-time low, it may be argued that the worst is behind us. This minimal amount of optimism is further fueled by slight third quarter gains in the factory workweek and electricity sales to industry as both stand at relatively high levels.

These divergent performances in manufacturing and nonmanufacturing represent a continuation of the structural shift taking place in the economy. As of 1977, manufacturing accounted for 42 percent of all nonagricultural jobs, with durable goods accounting for 22.4 percent. Currently, manufacturing's share is 28.6 percent with durable goods accounting for just 13.2 percent.

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	*3 Q. '87*	*2 Q. '87*	*3 Q. '86*
Employment *(in thousands)*				
Employed, no. of residents	307.7	111	109	108
Unemployed, no. of residents	14.1	67	67	108
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	321.8	108	106	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	271.8	106	105	102
Nonmfg. only, no. of jobs	195.2	131	130	124
Mfg. only, no. of jobs	76.6	71	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	104	102	102
Industrial electric power sales				
Metropolitan area	***	112	106	108
Allentown	***	102	99	97
Bethlehem	***	118	112	117
Easton	***	112	108	104
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	266.6	+22		
Nonresidential contracts only	109.9	−10		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre

Little change occurred in the economy of the Scranton-Wilkes-Barre region during the third quarter as employment, unemployment, and industry job levels held steady. Although the region's economy remains on a slight upward track, uncertainty in the nation raises concerns about what the coming months will bring.

Nonagricultural job levels failed to advance at a pace typical of the robust summer months, as evidenced by seasonally adjusted declines in the number of positions in these establishments. However, they have been on the rise over the past several years, but the gains which have occurred mask a great deal of variation in performances across industries. Manufacturing jobs continue to drift downward, but unlike the situation in the State, the durable goods industries show modest job gains. While jobs in these establishments have declined Statewide since the national economic recovery began in 1982/1983, they have increased 6.2 percent in the region. Much of the bad news comes on the nondurable goods side where a 10.2 percent decline was recorded in the five-county region during that time. Not surprisingly, the area's largest industry, apparel, has been especially hard-hit, losing nearly 30 percent of its jobs. Still, the job losses for manufacturing as a whole since the most recent trough in the business cycle are less than one-half the losses for the State.

The ability of nonmanufacturing to generate jobs remains encouraging as record high job levels have been maintained throughout the recovery. So far this year, a 1.9 percent gain in the number of nonmanufacturing positions has been realized, considerably less than the 3.4 percent advance for all of Pennsylvania. However, the region has slightly exceeded the State in terms of nonmanufacturing job gains over the recovery period. Construction appears to be turning in an impressive performance. The value of both residential and nonresidential construction awards is up on a year-to-date basis. At the same time, construction jobs have grown 3 percent.

Despite encouraging signs in nonmanufacturing and portions of manufacturing, there is little good news on the employment/unemployment front so far this year although the jobless rate has dropped from 8.8 percent during the first nine months of last year to 7.1 percent so far in 1987. Over that period, the number of employed residents actually fell by 1,300. However, a drop in the labor force of 7,700 paved the way for the drop in unemployment.

Williamsport

The Lycoming County economy continued to move forward during the third quarter as nearly all sectors contributed. This is encouraging given the uneven performance turned in by the State. Furthermore, third quarter's results represent a continuation of impressive performances and were not a "one-time only" occurrence. In fact, the region's gain in nonagricultural job levels since the recovery began is the fourth highest among the Commonwealth's 15 metropolitan areas.

Nonmanufacturing continues to show healthy gains as job

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	326.3	112	112	112
Lackawanna County[2]	100.6	109	108	109
Luzerne County[3]	146.4	108	107	108
Unemployed, no. of residents				
Metropolitan area	22.5	71	70	90
Rate, seasonally adjusted	6.6			
Lackawanna County[2]	6.4	63	57	81
Luzerne County[3]	12.2	75	77	94
Civilian labor force, no. of residents				
Metropolitan area	348.8	108	108	110
Lackawanna County[2]	107.0	104	103	106
Luzerne County[3]	158.6	104	104	106
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	286.9	109	109	108
Nonmfg. only, no. of jobs	215.6	120	120	118
Mfg. only, no. of jobs	71.2	86	86	87
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	113	109	107
Lackawanna County[2]	***	128	122	118
Luzerne County[3]	***	101	98	96
Hazleton	***	96	91	88
Wilkes-Barre	***	103	102	99

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	187.5	+ 6
Nonresidential contracts only	116.8	+36

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

Williamsport Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	56.5	118	114	112
Unemployed, no. of residents	2.6	66	58	82
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	59.1	113	109	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.3	109	108	103
Nonmfg. only, no. of jobs	33.6	120	118	114
Mfg. only, no. of jobs	16.7	93	91	86
Hrs. worked by production workers in mfg., *ave. weekly*	41.5	106	107	102
Industrial electric power sales	***	86	85	86

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	16.4	- 1
Nonresidential contracts only	9.8	-75

[1]Lycoming County

levels have advanced at a 4 percent annual clip for the first three quarters of 1987 compared to 3.4 percent for Pennsylvania. After accounting for the normal seasonal patterns which occur, the number of positions in these establishments have remained at a record high since the second quarter of 1985. Compared to the first nine months of 1986, about 1,300 nonmanufacturing jobs have been added so far this year. Gains have been realized in nearly all broad industry groupings as the construction and mining (200 new jobs), trade (500), finance (100), services (300), and government (100) groups have each played a role. Given the gain in job levels and a rise in residential housing units authorized by building permits from 31 in the first half of 1986 to 54 during the first six months of this year, the decline in the value of construction contracts awarded are probably not very indicative of the construction situation.

Even more impressive is manufacturing's performance. Job levels are up 7.1 percent on a year-to-date basis, an astonishing result in light of the 1.6 percent decline realized in the State. After adjusting for seasonality, the 16,700 positions maintained in these establishments during the July-September period represent the highest total since 1980:IQ. However, during the decade of the 1970s, which is as far back as data go, job levels were never as low as this year's third quarter reading. In all likelihood, it is doubtful that this "lost ground" will ever be made up in total. The fact that industrial electricity sales, a good barometer of production trends, were at a level equal to only 86 percent of 1977 averages provides further evidence that manufacturing activity has dropped over the past several years.

As a result of the strong showing in the overall economy, resident employment is on the rise as it surpassed 56,000 for the first time in the third quarter. Additionally, the 2.8 percent employment gain realized so far this year is the second highest among the State's metro areas. As a result, despite a slight seasonally adjusted rise during the most recent three-month period, the jobless rate has fallen from 7.5 percent during last year's first nine months to 5.6 percent this year.

Southwestern Quarter

Altoona

Economic conditions improved in Blair County during the third quarter, especially on the employment front, but one is hard-pressed to argue that the economy is without problems. Although gains have been made, room remains for improvement. Indeed, the Altoona metro area is one of six in the State to have yet to reach pre-recessionary levels of nonagricultural jobs. However, gains recorded since the trough of the business cycle exceed those for the Commonwealth but trail those for much of central and southeastern Pennsylvania.

Nonmanufacturing is doing its fair share. Measured from the 1982/1983 period, job levels are up by 3,900. After adjusting for seasonality, the number of positions maintained in nonmanufacturing has hovered just under the record high set in 1978:IIIQ. The big gainers this year have been trade and services as each have generated 400 new jobs. These two industries have been outperforming the economy in general for the past several years. Services accounted for 15.6 percent of all jobs in 1977 compared to 20.6 percent this year. Trade's share over that time has increased from 21.7 to 25.2 percent.

Meanwhile, manufacturing is struggling just to hold its own as job levels are down from 1982/1983 readings. However, the region's performance relative to the State's over that

Altoona Area[1]

	Ave. mo. value 3 Q '87	Average monthly index seas. adj. (1977 = 100) 3 Q '87	2 Q '87	3 Q '86
Employment *(in thousands)*				
Employed, no. of residents	56.5	105	103	102
Unemployed, no. of residents	3.8	106	98	126
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	60.2	105	103	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.8	99	98	96
Nonmfg. only, no. of jobs	40.5	104	103	101
Mfg. only, no. of jobs	11.3	85	84	84
Hrs. worked by production workers in mfg., *ave. weekly*	39.3	103	104	102
Industrial electric power sales	***	78	77	75
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	11.9	- 27		
Nonresidential contracts only	22.0	+ 100		

[1]Blair County

period is somewhat encouraging. While Blair County manufacturing jobs have declined less than 1 percent, an 8.6 percent loss has occurred throughout the Commonwealth. Although it is considerably less than the State's 40.9 hours, Altoona's 39.3 hour average factory workweek in the third quarter is quite high in historical terms which may help prop up job levels in the coming months. However, manufacturing is especially vulnerable to downturns in the national economy. Should the recent volatility on Wall Street be signalling a slowing of growth, Altoona's manufacturing sector will be impacted.

Another sector vulnerable to macroeconomic trends is construction. Most evidence suggests that activity has picked up during the past several quarters. So far this year, construction and mining jobs are up by 300 and the value of nonresidential contracts awarded has doubled. However, based on the value of contract awards and the number of units authorized by permits, residential activity may have topped out.

Much is made of the decline in the region's jobless rate. However, such optimism may be premature in light of trends in employment. While the jobless rate has dropped 2.4 percentage points between the first nine months of last year and this year, employment has remained essentially unchanged. Much of the drop in unemployment is because of a reduction in the labor force, a trend not typical of an expanding economy. Still, third quarter trends represent a fair amount of improvement over a relatively sluggish first half of the year.

Johnstown

A majority of indicators suggest that the economy of the Cambria-Somerset County region moved forward during the third quarter: seasonally adjusted employment was up by 1,600 from second quarter levels, the labor force was up by 2,300, nonagricultural job levels were up by 1,000, and electricity sales to industry rose. However, the region is still struggling to regain ground lost earlier in the decade and it continues to lose ground relative to those regions to the east.

The long-run deterioration in the economy is usually attributed to manufacturing's difficulties as job levels are about one-half of what they were only two decades ago. This hides the fact that the current situation finds manufacturing holding its own as about 400 positions have been added so far this year. Although the sector is adding jobs while the rest of the State is losing them, the fact that it is growing from such a low base makes it difficult to get too excited about recent trends. It seems that the economy is still reeling from structural changes, the bulk of which have already occurred, and what growth there has been of late still leaves a great deal of ground to be made up.

The region's nonmanufacturers have held up fairly well. While pre-recessionary job levels have yet to be reached, growth has occurred over the course of the recovery. Third quarter's 66,500 positions represents the highest level since 1981:IQ after adjusting for seasonality. Since the 1982/1983 trough, jobs have grown 4.4 percent. However, a 12.4 percent gain was turned in by the Commonwealth. Again, despite the fact that growth has occurred, the region is losing ground in relative terms. Construction is holding its own as nearly 300 jobs have been added to payrolls this year and housing units authorized by permits were essentially unchanged during the first half of 1987 compared to a year ago. Hence, the decline in the value of contract awards, which are subject to wide swings, recorded so far this year are probably not very indicative of trends in construction activity.

Employment of the region's residents shows similar modest gains. In that they provide an excellent illustration of why caution is required in interpreting changes on the employment/unemployment front, third quarter trends deserve a review. In seasonally adjusted terms, the jobless rate rose from 8.1 percent in the second quarter to 8.6 percent in the third. However, at the same time, the previously mentioned employment gain occurred. In essence, the rise in the jobless rate is attributable to a solid gain in the labor force, which, in light of recent trends, is somewhat encouraging.

Pittsburgh-Beaver Valley

The four-county Pittsburgh region has realized a fair amount of economic growth over the past several years, but when compared to the performance turned in by the State, it is clear that problems remain. Unfortunately, it is difficult to argue

Johnstown Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	89.7	90	89	88
Unemployed, no. of residents	7.3	76	71	93
Rate, seasonally adjusted	8.6			
Civilian labor force, no. of residents	96.9	89	87	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	79.5	89	88	87
Nonmfg. only, no. of jobs	66.5	98	97	95
Mfg. only, no. of jobs	13.0	61	60	60
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	100	99	99
Industrial electric power sales	***	161	157	167
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	28.2	- 37		
Nonresidential contracts only	27.5	- 47		

[1]Cambria and Somerset Counties

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	902.9	102	101	101
Beaver County	56.8	66	65	67
Unemployed, no. of residents				
Pittsburgh[1]	65.5	105	104	119
Beaver County	7.1	108	99	107
Unemployment Rate, seas. adj.				
Pittsburgh[1]	7.0			
Beaver County	11.4			
Civilian labor force, no. of residents				
Pittsburgh[1]	968.4	102	101	102
Beaver County	63.9	69	67	70
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	856.2	98	98	97
Beaver County	50.3	66	66	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	730.0	111	112	110
Beaver County	40.6	108	106	105
Mfg. only, no. of jobs				
Pittsburgh[1]	126.0	57	58	58
Beaver County	9.8	25	25	29
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.4	n.a.	n.a.	n.a.
Beaver County	41.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	65	57	55

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only		
Pittsburgh[1]	343.4	−14
Beaver County	9.2	−51
Nonresidential contracts only		
Pittsburgh[1]	448.7	+ 3
Beaver County	6.2	−59

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

that growth has occurred at all in Beaver County. Most evidence suggests that it has yet to recover from the back-to-back recessions of the early 1980s.

The Pittsburgh region is one of six metropolitan areas in Pennsylvania to have yet to reach pre-recessionary nonagricultural job levels. Nonmanufacturing's gains have barely offset manufacturing's losses over the recovery and the area's gain since the 1982/1983 trough is the third lowest in the State. Since then, 39,000 manufacturing jobs have been lost while 42,000 nonmanufacturing jobs have been generated. Durable goods manufacturers have lost 35,000 jobs while 4,000 jobs have been eliminated from nondurable payrolls. On the nonmanufacturing side, the big gainers have been finance (up 5,600), trade (13,400), and services (32,300). Through the first three quarters of this year, 15,100 nonmanufacturing jobs have been added compared to the same period in 1986 and 4,700 manufacturing jobs have been lost.

Beaver County trends have been discouraging. More than a third of all nonagricultural jobs have been lost since 1979. Furthermore, the region is the only metro area to have lost jobs since the "recovery" began. Although nonmanufacturing jobs have been growing, they have been swamped by losses on the manufacturing side. Over the period dating back to the trough in the business cycle, nonmanufacturing jobs have grown 5.4 percent, less than half the increase recorded for all of Pennsylvania. Manufacturing establishments maintain less than half the number of jobs on payroll at that time. Similar trends are evident so far this year as 1,400 manufacturing jobs have been lost but only 500 nonmanufacturing positions have been added.

Declines in jobless rates need to be put in perspective. While a year-to-date decline of 1.1 percentage points has occurred in Pittsburgh and a 2.4 point reduction has been realized in Beaver County, employment has been growing sluggishly. In Pittsburgh, employment so far this year is up by 1,100 from the first nine months of last year yet unemployment has declined by 11,700. In Beaver County, employment has declined by 1,400 this year. The drop in unemployment has not been the result of especially positive trends. These same patterns are evident over the long-run as well. In the Pittsburgh region, the unemployment rate has dropped from 13.2 percent earlier in the decade to 7.3 percent this year. Over that time, employment has expanded by 11,700 and the number of unemployed has plunged by 63,400. Clearly, a declining labor force is accounting for a significant share of the drop in unemployment.

Evidence with respect to construction trends is mixed. Through the first half of this year, the number of residential units authorized by permits was down in Beaver County but up in Pittsburgh. Through the first three quarters of the year, construction job levels were up in both regions. Except for a very slight gain in the nonresidential sector in the Pittsburgh region, the value of contracts awarded is down. Of these three indicators, job totals are probably the most reliable, so it is safe to say that activity is at least holding steady and probably rising slightly.

State College

Although the growth in overall activity may have slowed somewhat in Centre County so far this year, the region continues to move forward and it is apparent that it remains the strongest economy in western Pennsylvania. For instance, the 1.7 percent year-to-date employment gain has only been surpassed by regions in the southeastern portion of the State along with Williamsport. This paved the way for a reduction in the unemployment rate from 6.4 percent during the first three quarters of 1986 to 5.2 percent so far this year. Additionally, the region is one of only six metro areas to have realized a gain in the labor force so far this year.

Although it is probably safe to assume that the growth in construction activity is slowing, the declines in the value of contracts awarded so far this year (28 percent on the residential side and 25 percent in the nonresidential sector) are somewhat misleading. While these declines have been occurring, the number of new housing units authorized by permits rose during the first half of the year and construction job levels have grown by 200 on a year-to-date basis.

Despite the fact that nonagricultural job levels fell on a seasonally adjusted basis for the first time since the final quarter of 1984 during this year's July-September period, the gains recorded so far this year have been larger than in the State as a whole. Leading the way has been nonmanufacturing. Despite third quarter's drop, job levels are up 4.1 percent so far this year compared to a 3.4 percent gain in the State. Manufacturing, however, is losing ground, at least in

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	*3 Q. '87*	*2 Q. '87*	*3 Q. '86*
Employment *(in thousands)*				
Employed, no. of residents	56.2	133	132	129
Unemployed, no. of residents	2.8	118	110	132
Rate, seasonally adjusted	5.3			
Civilian labor force, no. of residents	59.0	132	130	129
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.7	128	129	124
Nonmfg. only, no. of jobs	44.4	131	132	126
Mfg. only, no. of jobs	7.2	113	113	114
Hrs. worked by production workers in mfg., *ave. weekly*	39.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	120	118	109
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	46.2	−28		
Nonresidential contracts only	25.6	−25		

[1]Centre County

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	*3 Q. '87*	*2 Q. '87*	*3 Q. '86*
Employment *(in thousands)*				
Employed, no. of residents	120.9	106	105	105
Unemployed, no. of residents	9.1	107	102	126
Rate, seasonally adjusted	7.5			
Civilian labor force, no. of residents	130.1	106	105	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	111.0	100	100	99
Nonmfg. only, no. of jobs	76.2	112	113	110
Mfg. only, no. of jobs	34.4	80	79	81
Hrs. worked by production workers in mfg., *ave. weekly*	42.0	102	101	101
Industrial electric power sales	***	111	108	99
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	55.3	+20		
Nonresidential contracts only	43.3	+ 8		

[1]Erie County

employment terms, as job levels are down about 2.2 percent so far this year.

Job trends over the past several years have been quite encouraging. Although manufacturing has struggled, the strength in nonmanufacturing has enabled the State College metro area to realize the second highest growth rate in nonagricultural jobs since the national recovery began in 1982/1983.

Northwestern Quarter

Erie

The Erie County economy followed up a relatively sluggish first half of the year with some better news during 1987's third quarter. Employment of the region's residents grew at a stronger rate than normal over the summer and lags the record high readings immediately preceding the recessions of the early 1980s by only a small margin. Despite third quarter's performance, employment and labor force levels maintained so far this year still trail year-ago readings, tempering much of the optimism associated with the declines in unemployment recorded through the first three quarters of the year. Erie is one of only three metro areas around the State to have suffered a decline in employment so far this year.

Third quarter improvements were also evident with respect to nonagricultural job levels. After growing at a 0.6 percent annual rate during the first half of the year, a 1.6 percent gain was registered during the July-September period. But again, there is cause for concern. Pre-recessionary job levels have yet to be reached and the gain recorded since the 1982/1983 trough is among the lowest in the State. Nearly all of the improvement which has occurred over the recovery period is attributable to nonmanufacturing. Although this summer's results were somewhat disappointing, as illustrated by the seasonally adjusted decline in job levels, year-to-date trends show that sectoral employment has grown 2.4 percent. These gains, however, trail the 3.4 percent advance turned in by the Commonwealth.

Job losses may be slowing on the manufacturing front. After falling 3.3 percent last year, manufacturing job losses have declined steadily through the first three quarters of 1987 and there was a slight uptick in seasonally adjusted manufacturing positions during the most recent three-month period. A high average factory workweek and steadily advancing industrial power sales also suggest that these all-important industries may regain some of their health. However, it is doubtful that many of the jobs lost over the past several years will soon return. Even if this sector does recover, recent cost-cutting efforts and productivity gains will result in a minimal amount of new jobs.

For the most part, the signals coming from the construction industry suggest that activity is at least holding its own. Year-to-date contract awards are up in both the residential and nonresidential sectors and jobs are up by about 300. On the other hand, the number of housing units authorized by building permits was down during the first half of the year.

Given recent trends in the national economy, it is even more difficult to forecast future trends in the Erie region than is normally the case. The consensus forecast is that growth in the U.S. as a whole will slow in coming months. Should this occur, Erie will not be exempt. Beyond that, whether or not the nation can avoid a recession will be the main factor impacting upon the performance of Erie County.

Sharon

Third quarter trends show that modest growth continues to best describe economic conditions in Mercer County. In fact, recent trends may even be interpreted somewhat positively. However, the long-term performance of the region over the past several years leaves something to be desired. For instance, only one other metropolitan area in Pennsylvania, Beaver County, has turned in a poorer performance with respect to nonagricultural job growth since the 1982/1983 period than the Sharon region. Additionally, job levels are still over 10 percent below pre-recessionary levels.

So far this year, nonagricultural jobs have expanded at a 2.1 percent annual rate, only slightly below the State's 2.3

percent advance. Nonmanufacturing has provided the vast majority of these new jobs as 1,200 new positions have been added in these establishments through the first nine months of this year as job levels settled at 31,800 in the third quarter. The services and trade industries have both made significant contributions to these gains. There was some good news on the manufacturing front during the third quarter as job levels rose on a seasonally adjusted basis for the second straight period. Still, payroll jobs are down for the year as a whole and sectoral employment levels are off by more than 40 percent from the mid 1970s as the service producing industries have been providing essentially all new jobs.

The rather large declines in the value of construction contracts awarded (59 percent on the residential side and 22 percent for nonresidential projects) probably do not provide a representative picture of trends in the region. Through the first nine months of the year, 200 construction jobs were added compared to a year ago. Furthermore, housing permit data, which is only available through the first half of the year, show that more housing units were authorized by permits this year than in the same period in 1986.

The overall moderate growth pattern currently taking shape in the Sharon metro area is brought further into focus by employment and unemployment trends. So far in 1987, employment in the region has grown by 600 from year-ago readings. Given that the labor force is unchanged, the number of residents counted as unemployed fell by the same amount and the jobless rate dipped from 8.6 percent during the first three quarters of last year to 7.5 percent so far this year. This is certainly not a poor performance, but it leaves considerable ground to be made up.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	*3 Q. '87*	*2 Q. '87*	*3 Q. '86*
Employment *(in thousands)*				
Employed, no. of residents	48.0	97	96	94
Unemployed, no. of residents	3.3	90	80	105
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	51.3	97	95	95
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	41.3	92	91	89
Nonmfg. only, no. of jobs	31.8	110	111	106
Mfg. only, no. of jobs	9.5	58	56	57
Hrs. worked by production workers in mfg., *ave. weekly*	42.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	113	111	98
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	6.5	– 59		
Nonresidential contracts only	15.4	– 22		

[1]Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

There appears to be little to be concerned about with respect to economic conditions in the Harrisburg-Lebanon-Carlisle metropolitan area as another impressive performance was turned in during the third quarter. Perhaps the best news is that all sectors appear to be making a contribution. This is even true for manufacturing where the gains recorded this past summer were stronger than normal pushing job levels up on a seasonally adjusted basis. In fact, while the number of manufacturing jobs in Pennsylvania has declined 1.6 percent this year, job levels have grown 1.3 percent on a year-to-date basis in the four-county region for a gain of 700 positions. Furthermore, while there is no denying that the trend in manufacturing jobs over the past several years has been down, the losses have not been as severe in the metro area as in the Commonwealth as a whole.

Nonmanufacturing's performance has been especially impressive as job levels have grown 4 percent through the first three quarters of this year compared to a 3.4 percent gain in the the State. Not surprisingly, nonmanufacturing job growth over the past several years has been stronger in the region than in Pennsylvania. As a result of the above average job growth experienced in the region's nonagricultural establishments, it now accounts for about 6 percent of the State's nonagricultural jobs compared to 5.4 percent in 1979.

Within nonmanufacturing, the construction industry has turned in a solid performance so far in 1987. The value of contracts awarded has increased on a year-to-date basis in both the residential and nonresidential sectors this year, including a very impressive 139 percent gain on the nonresidential side. At the same time, job levels are up by about 1,000 from a year ago.

The end result of this favorable performance has been solid gains in resident employment and declines in unemployment. In fact, the 309,100 residents counted as employed during the July-September period represents another record high and the seasonally adjusted 3.2 percent unemployment rate for the period is the second lowest among the State's 15 metropolitan areas. Furthermore, the 3.2 percent year-to-date gain in employment this year is the strongest among the metro areas. For the year, 9,300 more people have been employed compared to a year ago which helped lower unemployment by 5,200 residents and absorb an increase in the labor force

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	*3 Q. '87*	*2 Q. '87*	*3 Q. '86*
Employment *(in thousands)*				
Employed, no. of residents	309.1	120	118	115
Unemployed, no. of residents	9.7	65	64	90
Rate, seasonally adjusted	3.2			
Civilian labor force, no. of residents	318.8	117	115	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	296.7	119	119	115
Nonmfg. only, no. of jobs	244.5	126	126	122
Mfg. only, no. of jobs	52.2	95	93	92
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	86	75	70
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	162.3	+ 3		
Nonresidential contracts only	262.1	+ 139		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	214.5	133	130	128
Unemployed, no. of residents	5.9	73	66	89
Rate, seasonally adjusted	2.7			
Civilian labor force, no. of residents	220.4	130	127	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	181.5	128	127	123
Nonmfg. only, no. of jobs	121.0	143	141	135
Mfg. only, no. of jobs	60.4	106	105	104
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	101	102	101
Industrial electric power sales	***	142	132	131
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	166.6	−10		
Nonresidential contracts only	53.6	+54		

[1]Lancaster County

of 4,100.

Perhaps the major potential problem on the horizon may be difficulties at the national level. As has been pointed out several times in this *Survey*, national developments will play a major role in the future health of Pennsylvania's regional economies.

Lancaster

The economy of the Lancaster metropolitan area continued to show solid gains on just about all fronts during the third quarter and ranks at or near the top of the list in nearly every measure of activity. For example, nonagricultural job growth over the course of the business cycle, whether measured against the most recent peak in 1979 or the most recent trough in 1982/1983, has been stronger in Lancaster County than in any of the State's 14 other metro areas.

Both manufacturing and nonmanufacturing have been contributing to the region's job gains. While the Commonwealth's loss of manufacturing jobs over the past several years is well-publicized, Lancaster County has added 4,400 jobs since the trough including 1,500 so far this year. Durable goods industries have accounted for 1,100 of these new jobs generated this year. Additionally, in 11 of the 13 manufacturing industries at the two-digit SIC level for which data are available, job levels were equal to or higher than year ago readings in September. After adjusting for seasonality, manufacturing jobs have increased in seven of the past eight quarters and are only slightly below record high readings.

The picture on the nonmanufacturing side is even more encouraging as 22,500 jobs have been created since the 1982/1983 trough, including 6,200 so far in 1987. The region's service-producing industries account for 4,900 of this year's new jobs. Nonmanufacturing job levels have increased in 19 of the past 20 quarters on a seasonally adjusted basis and reached 121,000 for the first time during the July-September period.

Lancaster County is also turning in a solid performance with respect to resident employment and unemployment. The 2.8 percent year-to-date gain in employment registered this year is the second highest in the Commonwealth and the 1.6 percent gain in the labor force is the strongest. Furthermore, despite very slight seasonally adjusted increases in each of the past two quarters, the jobless rate has dropped from 3.8 percent during the first nine months of 1986 to 2.7 percent this year as employment has increased to record high levels.

Construction is apparently benefiting from the overall economy's gains. Jobs are up by 1,200 compared to 1986 and nonresidential construction contract values have advanced 54 percent. While residential contract values declined 10 percent through the first nine months of this year, the number of new housing units authorized by permits was up, at least through the first half of the year.

Philadelphia

Pennsylvania's largest economy, the eight-county Philadelphia metropolitan area, continued to turn in a solid growth performance during this year's third quarter. For example, at a seasonally adjusted 4.6 percent, the region's jobless rate was a full percentage point below the State's reading and has been cut in half over the course of the current recovery.

The mirror image of this decline has been a solid showing on the employment front. So far this year, employment has increased 1.7 percent, one of the strongest gains in the State, to surpass the 2.3 million mark for the first time. Since the trough of the business cycle in 1982/1983, resident employment has advanced 12.1 percent compared to 8.4 percent in Pennsylvania as a whole.

Essentially all jobs generated in the region as of late have come in the nonmanufacturing sector where job gains over the past quarter-century have only been slowed during periods of national recession. Even then, job levels held fairly steady. So far this year, the number of nonmanufacturing positions has grown 4.1 percent, 0.7 percentage point greater than the State's advance and the strongest gain in more than a decade.

While manufacturing has struggled relative to nonmanufacturing's encouraging showing and the trend in jobs over the past several years has been downward, the region has held up fairly well relative to Pennsylvania's showing. Job levels

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	2328.4	122	121	120
Unemployed, no. of residents	113.8	62	60	68
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	2442.2	117	116	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2163.3	119	118	115
Nonmfg. only, no. of jobs	1785.1	130	128	124
Mfg. only, no. of jobs	378.0	85	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	40.4	102	103	101
Industrial electric power sales	***	107	105	100
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	1535.7	+19		
Nonresidential contracts only	1433.6	+57		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

have been at or near record lows for over a year, but declines do seem to be lessening. Over the 1980-1986 period, manufacturing jobs fell in every year but one. Of those six declines, only one, in 1985, was less than this year's 1.7 percent year-to-date loss. Furthermore, both the average factory workweek and electricity sales to industry stand at or near record high readings.

Partly as a result of the economy's solid performance, construction activity in the region is on the rise. The value of construction contracts awarded has turned in nice gains of 19 percent on the residential side and 57 percent on the nonresidential side through the first nine months of the year. Construction jobs have averaged 101,500 this year compared to 91,000 a year ago.

The recent strength in the Philadelphia metro area, and for that matter, in all of southeastern Pennsylvania, has resulted in a new concern: a labor shortage. This is quite surprising given the extremely high unemployment rates of just a few years ago. However, current concerns are legitimate and are yet another sign of the impressive recovery on the part of the region.

Reading

The Berks County economy turned in another strong showing in this year's third quarter and, barring a recession in the national economy, appears poised to continue to expand at a sustainable pace into the near future. Perhaps the best piece of news comes from manufacturing where most indicators suggest that the worst is behind those industries. In fact, while Pennsylvania continues to lose jobs in these establishments, the Reading metro area has been able to hold its own with respect to job levels over the past year. Manufacturing job levels have been hovering in a narrow band around the 48,000 mark since the beginning of 1986 although this is very close to a record low. At best, job levels may drift slightly upward in coming months. It is quite doubtful that a significant portion of the jobs lost over the past several years will return anytime soon in light of cost-cutting programs and productivity improvements. Other indicators of manufacturing's health, the average factory workweek and electricity sales to industry, provide further evidence of stability.

Job gains realized in the region as of late have been fueled by the nonmanufacturing sector. Third quarter's 99,200 nonmanufacturing positions represent a record high after adjusting for seasonality as job levels have grown 4.6 percent through the first three quarters of the year compared to 3.4 percent in the Commonwealth. In absolute terms, this represents 4,400 new jobs this year alone. The region's two largest industries, trade and services, have contributed 2,400 of those new jobs. Also making a contribution has been construction. Although the value of contracts awarded is down on a year-to-date basis, construction jobs have increased, as did the number of housing units authorized by permits in the first half of the year, which encompasses the most recent data available.

In sum, trends on the nonagricultural job front have been quite encouraging. Manufacturing's losses have subsided and these industries, at worst, are in a holding pattern, while nonmanufacturing continues to generate jobs at an impressive pace. The net result has been above average growth in total nonagricultural jobs.

Not surprisingly, these positive trends show up in a declining unemployment rate. In fact, the jobless rate has declined on a seasonally adjusted basis in each of the past seven quarters. So far this year, it has dropped to 4.7 percent from 7.1 percent in the first nine months of 1986. However, some of this decline has been the result of a declining labor force. While employment has expanded by 2,800 residents so far this year to a record high, the number counted as unemployed has been reduced by 4,200. This translates into a drop of 1,400 in the labor force. However, the long-run trend in the labor force appears to be up, as evidenced by two consecutive quarterly increases after adjusting for seasonality.

York

Third quarter trends in the York metropolitan area mark a continuation of impressive performances on the economic front and may even represent a slight surge in growth. While employment was up 0.4 percent on an annual basis during the first half of 1987, third quarter found it up 2.8 percent

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	*3 Q. '87*	*2 Q. '87*	*3 Q. '86*
Employment *(in thousands)*				
Employed, no. of residents	164.8	120	118	117
Unemployed, no. of residents	6.8	78	80	113
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	171.7	117	116	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	147.7	113	112	109
Nonmfg. only, no. of jobs	99.2	124	123	119
Mfg. only, no. of jobs	48.5	95	95	95
Hrs. worked by production workers in mfg., *ave. weekly*	41.1	105	104	104
Industrial electric power sales	***	138	133	129
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	76.2	−25		
Nonresidential contracts only	34.3	−37		

[1]Berks County

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	*3 Q. '87*	*2 Q. '87*	*3 Q. '86*
Employment *(in thousands)*				
Employed, no. of residents	205.7	131	128	127
Unemployed, no. of residents	7.8	78	81	108
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	213.5	128	125	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	169.9	120	118	116
Nonmfg. only, no. of jobs	111.5	135	134	130
Mfg. only, no. of jobs	58.3	98	96	97
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	104	103	100
Industrial electric power sales	***	119	109	110
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	115.9	+ 3		
Nonresidential contracts only	78.8	+25		

[1]Adams and York Counties

as more than 205,000 residents were counted as employed for the first time ever. Similarly, the jobless rate fell 0.3 percentage point to a seasonally adjusted 3.7 percent following a 0.4 point rise in the second quarter. However, some of the drop in unemployment which has occurred so far this year is attributable to a sluggish showing on the labor force front.

Although the growth in activity may be slowing, trends on the construction front remained mostly positive in the July-September period. The value of construction contracts awarded have increased on a year-to-date basis as have job levels which averaged 8,300 during 1986's first nine months compared to 9,000 this year in the construction industry.

Nonmanufacturing job levels continue to reach record highs on almost a monthly basis. Nearly 4,400 jobs have been added in these establishments so far this year. The service-producing industries account for 3,700 of the new jobs generated in 1987. While nonmanufacturing accounted for 58 percent of all jobs in 1977, its share of nonagricultural positions is currently 66 percent.

While manufacturing is certainly not realizing the job gains found in nonmanufacturing, these industries do appear to be holding their own, especially relative to trends throughout much of the rest of the Commonwealth. Job levels have held steady for about the past two years and were even slightly higher than year-ago readings in the third quarter, the first time that has happened since 1985:IQ. Hence, although these industries are not making a significant contribution to economic growth in the region, they are not subtracting away from overall activity to the same degree that they are elsewhere.

As a result of the solid performance turned in by the region, nonagricultural job gains over the course of the business cycle have been quite impressive. Above average job growth has been realized, whether measured against the most recent peak in 1979 or the 1982/1983 trough.

— *William D. Anderson*

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